I have defined it, wealth and value, though certainly not always the same, will appear to be very nearly connected; and in making an estimate of wealth, it must be allowed to be as grave an error to consider quantity without reference to value, as to consider value without reference to quantity.

CHAPTER VII.

ON THE IMMEDIATE CAUSES OF THE PROGRESS OF WEALTH.

SECTION I.

Statement of the particular Object of Inquiry.

THERE is scarcely any inquiry more curious, or, from its importance, more worthy of attention, than that which traces the causes which practically check the progress of wealth in different countries, and stop it, or make it proceed very slowly, while the power of production remains comparatively undiminished, or at least would furnish the means of a great and abundant increase of produce and population.

In a former work * I endeavoured to trace the causes which practically keep down the population of a country to the level of its actual supplies. It is now my object to shew what are the causes which chiefly influence these supplies, or call the powers of production forth into the shape of increasing wealth.

Among the primary and most important causes which influence the wealth of nations, must un-

* Essay on the Principle of Population.

questionably be placed, those which come under the head of politics and morals. Security of property, without a certain degree of which, there can be no encouragement to individual industry, depends mainly upon the political constitution of a country, the excellence of its laws and the manner in which they are administered. And those habits which are the most favourable to regular exertions as well as to general rectitude of character, and are consequently most favourable to the production and maintenance of wealth, depend chiefly upon the same causes, combined with moral and religious instruction. It is not however my intention at present to enter fully into these causes, important and effective as they are; but to confine myself chiefly to the more immediate and proximate causes of increasing wealth, whether they may have their origin in these political and moral sources, or in any others more specifically and directly within the province of political economy.

It is obviously true that there are many countries, not essentially different either in the degree of security which they afford to property, or in the moral and religious instruction received by the people, which yet, with nearly equal natural capabilities, make a very different progress in wealth. It is the principal object of the present inquiry to explain this; and to furnish some solution of certain phenomena frequently obtruded upon our attention, whenever we take a view of the different states of Europe, or of the world; namely,

countries with great powers of production comparatively poor, and countries with small powers of production comparatively rich.

If the actual riches of a country not subject to repeated violences and a frequent destruction of produce, be not after a certain period in some degree proportioned to its power of producing riches, this deficiency must have arisen from the want of an adequate stimulus to continued production. The practical question then for our consideration is, what are the most immediate and effective stimulants to the continued creation and progress of wealth.

SECTION II.

Of the Increase of Population considered as a Stimulus to the continued Increase of Wealth.

Many writers have been of opinion that an increase of population is the sole stimulus necessary to the increase of wealth, because population, being the great source of consumption, must in their opinion necessarily keep up the demand for an increase of produce, which will naturally be followed by a continued increase of supply.

That a permanent increase of population is a powerful and necessary element of increasing demand, will be most readily allowed; but that the increase of population alone, or, more properly

speaking, the pressure of the population hard against the limits of subsistence, does not furnish an effective stimulus to the continued increase of wealth, is not only evident in theory, but is confirmed by universal experience. If want alone, or the desire of the labouring classes to possess the necessaries and conveniences of life, were a sufficient stimulus to production, there is no state in Europe, or in the world, that would have found any other practical limit to its wealth than its power to produce; and the earth would probably before this period have contained, at the very least, ten times as many inhabitants as are supported on its surface at present.

But those who are acquainted with the nature of effective demand, will be fully aware that, where the right of private property is established, and the wants of society are supplied by industry and barter, the desire of any individual to possess the necessary conveniences and luxuries of life, however intense, will avail nothing towards their production, if there be no where a reciprocal demand for something which he possesses. A man whose only possession is his labour has, or has not, an effective demand for produce according as his labour is, or is not, in demand by those who have the disposal of produce. And no productive labour will ever be in demand unless the produce when obtained is of greater value than the labour which obtained it. No fresh hands can be employed in any sort of industry merely in consequence of the demand for its produce occasioned by the persons employed. No farmer will take the trouble of superintending the labour of ten additional men merely because his whole produce will then sell in the market at an advanced price just equal to what he had paid his additional labourers. There must be something in the previous state of the demand and supply of the commodity in question, or in its price, antecedent to and independently of the demand occasioned by the new labourers, in order to warrant the employment of an additional number of people in its production.

It will be said perhaps that the increase of population will lower wages, and, by thus diminishing the costs of production, will increase the profits of the capitalists and the encouragement to produce. Some temporary effect of this kind may no doubt take place, but it is evidently very strictly limited. The fall of wages cannot go on beyond a certain point without not only stopping the progress of the population but making it even retrograde; and before this point is reached, it will probably happen that the increase of produce occasioned by the labour of the additional number of persons will have so lowered its value, as more than to counterbalance the fall of wages, and thus to diminish instead of increase the profits of the capitalists and the power and will to employ more labour.

It is obvious then in theory that an increase of population, when an additional quantity of labour is not wanted, will soon be checked by want of

employment, and the scanty support of those employed, and will not furnish the required stimulus to an increase of wealth proportioned to the power of production.

But, if any doubts should remain with respect to the *theory* on the subject, they will surely be dissipated by a reference to *experience*. It is scarcely possible to cast our eyes on any nation of the world without seeing a striking confirmation of what has been advanced. Almost universally, the actual wealth of all the states with which we are acquainted is very far short of their powers of production; and almost universally among those states, the slowest progress in wealth is made where the stimulus arising from population alone is the greatest, that is, where the population presses the hardest against the limits of subsistence. It is quite evident that the only fair way, indeed the only way, by which we can judge of the practical effect of population alone as a stimulus to wealth, is to refer to those countries where, from the excess of population above the funds applied to the maintenance of labour, the stimulus of want is the greatest. And if in these countries, which still have great powers of production, the progress of wealth is very slow, we have certainly all the evidence which experience can possibly give us, that population alone cannot create an effective demand for wealth.

To suppose an actual and permanent increase of population is to beg the question. We may as well suppose at once an increase of wealth; because an actual and permanent increase of population cannot take place without a proportionate or nearly proportionate increase of wealth. The question really is, whether encouragements to population, or even the natural tendency of population to increase beyond the funds for its maintenance, so as to press hard against the limits of subsistence, will, or will not, alone furnish an adequate stimulus to the increase of wealth. And this question, Spain, Portugal, Poland, Hungary, Turkey, and many other countries in Europe, together with nearly the whole of Asia and Africa, and the greatest part of America, distinctly answer in the negative.

SECTION III.

Of Accumulation, or the Saving from Revenue to add to Capital, considered as a Stimulus to the Increase of Wealth.

Those who reject mere population as an adequate stimulus to the increase of wealth, are generally disposed to make every thing depend upon accumulation. It is certainly true that no permanent and continued increase of wealth can take place without a continued increase of capital; and I cannot agree with Lord Lauderdale in thinking that this increase can be effected in any other way than by

saving from the stock which might have been destined for immediate consumption, and adding it to that which is to yield a profit; or in other words, by the conversion of revenue into capital.*

But we have yet to inquire what is the state of things which generally disposes a nation to accumulate; and further, what is the state of things which tends to make that accumulation the most effective, and lead to a further and continued increase of capital and wealth.

It is undoubtedly possible by parsimony to devote at once a much larger share than usual of the produce of any country to the maintenance of productive labour; and it is quite true that the labourers so employed are consumers as well as unproductive labourers; and as far as the labourers are concerned, there would be no diminution of consumption or demand. But it has already been shewn that the consumption and demand occasioned by the persons employed in productive labour can never alone furnish a motive to the accumulation and employment of capital; and with regard to the capitalists themselves, together with the landlords and other rich persons, they have, by the supposition, agreed to be parsimonious, and by depriving themselves of their usual

* See Lord Lauderdale's Chapter on Parsimony, in his Inquiry into the Nature and Origin of Public Wealth, ch. iv. p. 198. 2d. edit. Lord Lauderdale appears to have gone as much too far in deprecating accumulation, as some other writers in recommending it. This tendency to extremes is exactly what I consider as the great source of error in political economy.

conveniences and luxuries to save from their revenue and add to their capital. Under these circumstances, I would ask, how it is possible to suppose that the increased quantity of commodities, obtained by the increased number of productive labourers, should find purchasers, without such a fall of price as would probably sink their value below the costs of production, or, at least, very greatly diminish both the power and the will to save.

It has been thought by some very able writers, that although there may easily be a glut of particular commodities, there cannot possibly be a glut of commodities in general; because, according to their view of the subject, commodities being always exchanged for commodities, one half will furnish a market for the other half, and production being thus the sole source of demand, an excess in the supply of one article merely proves a deficiency in the supply of some other, and a general excess is impossible. M. Say, in his distinguished work on political economy, has indeed gone so far as to state that the consumption of a commodity by taking it out of the market diminishes demand, and the production of a commodity proportionably increases it.

This doctrine, however, to the extent in which it has been applied, appears to me to be utterly unfounded, and completely to contradict the great principles which regulate supply and demand.

It is by no means true, as a matter of fact,

that commodities are always exchanged for commodities. The great mass of commodities is exchanged directly for labour, either productive or unproductive; and it is quite obvious that this mass of commodities, compared with the labour with which it is to be exchanged, may fall in value from a glut just as any one commodity falls in value from an excess of supply, compared either with labour or money.

In the case supposed there would evidently be an unusual quantity of commodities of all kinds in the market, owing to the unproductive labourers of the country having been converted, by the accumulation of capital, into productive labourers; while the number of labourers altogether being the same, and the power and will to purchase for consumption among landlords and capitalists being by supposition diminished, commodities would necessarily fall in value, compared with labour, so as to lower profits almost to nothing, and to check for a time further production. But this is precisely what is meant by the term glut, which, in this case, is evidently general not partial.

M. Say, Mr. Mill,* and Mr. Ricardo, the principal authors of the new doctrines on profits, appear to me to have fallen into some fundamental errors in the view which they have taken of this subject.

* Mr. Mill, in a reply to Mr. Spence, published in 1808, has laid down very broadly the doctrine that commodities are only purchased by commodities, and that one half of them must always furnish a market for the other half. The same doctrine appears to be adopted in its fullest extent by the author of an able and useful article on the Corn Laws, in the Supplement to the Encyclopædia Britannica, which has been referred to in a previous chapter.

In the first place, they have considered commodities as if they were so many mathematical figures, or arithmetical characters, the relations of which were to be compared, instead of articles of consumption, which must of course be referred to the numbers and wants of the consumers.

If commodities were only to be compared and exchanged with each other, then indeed it would be true that, if they were all increased in their proper proportions to any extent, they would continue to bear among themselves the same relative value; but, if we compare them, as we certainly ought to do, with the numbers and wants of the consumers, then a great increase of produce with comparatively stationary numbers and with wants diminished by parsimony, must necessarily occasion a great fall of value estimated in labour, so that the same produce, though it might have *cost* the same quantity of labour as before, would no longer *command* the same quantity; and both the power of accumulation and the motive to accumulate would be strongly checked.

It is asserted that effectual demand is nothing more than the offering of one commodity in exchange for another. But is this all that is necessary to effectual demand? Though each commodity may have cost the same quantity of labour and capital in its production, and they may be

exactly equivalent to each other in exchange, yet why may not both be so plentiful as not to command more labour, or but very little more than they have cost; and in this case, would the demand for them be effectual? Would it be such as to encourage their continued production? Unquestionably not. Their relation to each other may not have changed; but their relation to the wants of the society, their relation to bullion, and their relation to domestic and foreign labour, may have experienced a most important change.

It will be readily allowed that a new commodity thrown into the market, which, in proportion to the labour employed upon it, is of higher exchangeable value than usual, is precisely calculated to increase demand; because it implies, not a mere increase of quantity, but a better adaptation of the produce to the tastes, wants and consumption of the society. But to fabricate or procure commodities of this kind is the grand difficulty; and they certainly do not naturally and necessarily follow an accumulation of capital and increase of commodities, most particularly when such accumulation and increase have been occasioned by economy of consumption, or a discouragement to the indulgence of those tastes and wants, which are the very elements of demand.

Mr. Ricardo, though he maintains as a general position that capital cannot be redundant, is obliged to make the following concession. He says, "There is only one case, and that will be temporary, in which the accumulation of capital with a

low price of food may be attended with a fall of profits; and that is, when the funds for the maintenance of labour increase much more rapidly than population;—wages will then be high and profits low. If every man were to forego the use of luxuries and be intent only on accumulation, a quantity of necessaries might be produced for which there could not be any immediate consumption. Of commodities so limited in number, there might undoubtedly be an universal glut; and consequently there might neither be demand for an additional quantity of such commodities, nor profits on the employment of more capital. If men ceased to consume, they would cease to produce." Mr. Ricardo then adds, "This admission does not impugn the general principle."* In this remark I cannot quite agree with him. As, from the nature of population, an increase of labourers cannot be brought into the market, in consequence of a particular demand, till after the lapse of sixteen or eighteen years, and the conversion of revenue into capital may take place much more rapidly; a country is always liable to an increase of the funds for the maintenance of labour faster than the increase of population. But if, whenever this occurs, there may be a universal glut of commodities, how can it be maintained, as a general position, that capital is never redundant; and that because commodities may retain the same relative values, a glut can only be partial, not general?

* Princ. of Polit. Econ. ch. xxi. p. 364. 2d ed.t.

Another fundamental error into which the writers above-mentioned and their followers appear to have fallen is, the not taking into consideration the influence of so general and important a principle in human nature, as indolence or the love of ease.

It has been supposed* that, if a certain number of farmers and a certain number of manufacturers had been exchanging their surplus food and clothing with each other, and their powers of production were suddenly so increased that both parties could, with the same labour, produce luxuries in addition to what they had before obtained, there could be no sort of difficulty with regard to demand, as part of the luxuries which the farmer produced would be exchanged against part of the luxuries produced by the manufacturer; and the only result would be, the happy one of both parties being better supplied and having more enjoyments.

But in this intercourse of mutual gratifications, two things are taken for granted, which are the very points in dispute. It is taken for granted that luxuries are always preferred to indolence, and that the profits of each party are consumed as revenue. What would be the effect of a desire to save under such circumstances, shall be considered presently. The effect of a preference of indolence to luxuries would evidently be to occasion a want of demand for the returns of the increased powers of production supposed, and to throw labourers out

* Edinburgh Review, No. LXIV. p. 471.

of employment. The cultivator, being now enabled to obtain the necessaries and conveniences to which he had been accustomed, with less toil and trouble, and his tastes for ribands, lace and velvet not being fully formed, might be very likely to indulge himself in indolence, and employ less labour on the land; while the manufacturer, finding his velvets rather heavy of sale, would be led to discontinue their manufacture, and to fall almost necessarily into the same indolent system as the farmer. That an efficient taste for luxuries, that is, such a taste as will properly stimulate industry, instead of being ready to appear at the moment it is required, is a plant of slow growth, the history of human society sufficiently shews; and that it is a most important error to take for granted, that mankind will produce and consume all that they have the power to produce and consume, and will never prefer indolence to the rewards of industry, will sufficiently appear from a slight review of some of the nations with which we are acquainted. But I shall have occasion for a review of this kind in the next section; and to this I refer the reader.

A third very serious error of the writers above referred to, and practically the most important of the three, consists in supposing that accumulation ensures demand; or that the consumption of the labourers employed by those whose object is to save, will create such an effectual demand for commodities as to encourage a continued increase of produce.

Mr. Ricardo observes, that "If 10,000*l.* were

given to a man having 100,000*l.* per annum, he would not lock it up in a chest, but would either increase his expenses by 10,000*l.*, employ it himself productively, or lend it to some other person for that purpose; in either case demand would be increased, although it would be for different objects. If he increased his expenses, his effectual demand might probably be for buildings, furniture, or some such enjoyment. If he employed his 10,000*l.* productively, his effectual demand would be for food, clothing, and raw materials, which might set new labourers to work. But still it would be *demand.*"*

Upon this principle it is supposed that if the richer portion of society were to forego their accustomed conveniences and luxuries with a view to accumulation, the only effect would be a direction of nearly the whole capital of the country to the production of necessaries, which would lead to a great increase of cultivation and population. But, without supposing an entire change in the usual motives to accumulation, this could not possibly happen. The usual motives for accumulation are, I conceive, either the future wealth and enjoyment of the individual who accumulates, or of those to whom he means to leave his property. And with these motives it could never answer to the possessor of land to employ nearly all the labour which the soil could support in cultivation; as by so doing he would necessarily destroy his neat rent, and render it impossible for him, without subsequently dismissing the greatest part of his workmen and

* Princ. of Polit. Econ. chap. xxi. p. 361. 2d edit.

occasioning the most dreadful distress, either to give himself the means of greater enjoyment at a future distant period, or to transmit such means to his posterity.

The very definition of fertile land is, land that will support a much greater number of persons than are necessary to cultivate it; and if the landlord, instead of spending this surplus in conveniences, luxuries and unproductive consumers, were to employ it in setting to work on the land as many labourers as his savings could support, it is quite obvious that, instead of being enriched, he would be impoverished by such a proceeding, both at first and in future. Nothing could justify such a conduct but a different motive for accumulation; that is, a desire to increase the population—not the love of wealth and enjoyment; and till such a change takes place in the passions and propensities of mankind, we may be quite sure that the landlords and cultivators will not go on employing labourers in this way.

What then would happen? As soon as the landlords and cultivators found that they could not realize their increasing produce in some way which would give them a command of wealth in future, they would cease to employ more labour upon the land;* and if the business of that part of the so-

* Theoretical writers in Political Economy, from the fear of appearing to attach too much importance to money, have perhaps been too apt to throw it out of their consideration in their reasonings. It is an abstract truth that we want commodities, not money. But, in reality, no commodity for which it is possible to

ciety which was not engaged in raising raw produce, consisted merely in preparing the other simple necessaries of life, the number required for this purpose being inconsiderable, the rest of those whom the soil could support would be thrown out of work. Having no means of legally demanding a portion of the raw produce, however plentiful it might be at first, they would gradually decrease in numbers; and the failure of effective demand for the produce of the soil would necessarily diminish cultivation, and throw a still greater number of persons out of employment. This action and reaction would thus go on till the balance of produce and consumption was restored in reference to the new tastes and habits which were established; and it is obvious that without an expenditure which will encourage commerce, manufactures, and unproductive consumers, or an Agrarian law calculated to change the usual motives for accumulation, the possessors of land would have no sufficient

sell our goods at once, can be an adequate substitute for a circulating medium, and enable us in the same manner to provide for children, to purchase an estate, or to command labour and provisions a year or two hence. A circulating medium is absolutely necessary to any considerable saving; and even the manufacturer would get on but slowly, if he were obliged to accumulate in kind all the wages of his workmen. We cannot therefore be surprized at his wanting money rather than other goods; and, in civilized countries, we may be quite sure that if the farmer or manufacturer cannot sell his products so as to give him a profit estimated in money, his industry will immediately slacken. The circulating medium bears so important a part in the distribution of wealth, and the encouragement of industry, that to set it aside in our reasonings may often lead us wrong.

stimulus to cultivate well; and a country such as our own, which had been rich and populous, would, with such parsimonious habits, infallibly become poor, and comparatively unpeopled.

The same kind of reasoning will obviously apply to the case noticed before. While the farmers were disposed to consume the luxuries produced by the manufacturers, and the manufacturers those produced by the farmers, all would go on smoothly; but if either one or both of the parties were disposed to save with a view of bettering their condition, and providing for their families in future, the state of things would be very different. The farmer, instead of indulging himself in ribands, lace, and velvets,* would be disposed to be satisfied with more simple clothing, but by this economy he would disable the manufacturer from purchasing the same amount of his produce; and for the returns of so much labour employed upon the land, and all greatly increased in productive power, there would evidently be no market. The manufacturer, in like manner, instead of indulging himself in sugar, grapes and tobacco, might be disposed to save with a view to the future, but would be totally unable to do so, owing to the parsimony of the farmers and the want of demand for manufactures.†

* Edinburgh Review, No. LXIV. p. 471.

† Of all the opinions advanced by able and ingenious men, which I have ever met with, the opinion of M. Say, which states that, *un produit consommé ou détruit est un débouché fermé* (l. i. ch.

An accumulation, to a certain extent, of common food and common clothing might take place on both sides; but the amount must necessarily be extremely confined. It would be of no sort of use to the farmer to go on cultivating his land with a view merely to give food and clothing to his labourers. He would be doing nothing either for himself or family, if he neither consumed the surplus of what they produced himself, nor could realize it in a shape that might be transmitted to his descendants. If he were a tenant, such additional care and labour would be entirely thrown away; and if he were a landlord, and were determined, without reference to markets, to cultivate his estate in such a way as to make it yield the greatest neat surplus with a view to the future, it is quite certain that the large portion of this surplus which was not required either for his own consumption, or to purchase clothing for himself and his labourers, would be absolutely wasted. If he did not choose to use it in the purchase of luxuries or the maintenance of unproductive labourers, it might as well be thrown into the sea. To save

15.) appears to me to be the most directly opposed to just theory, and the most uniformly contradicted by experience. Yet it directly follows from the new doctrine, that commodities are to be considered only in their relation to each other,—not to the consumers. What, I would ask, would become of the demand for commodities, if all consumption except bread and water were suspended for the next half year? What an accumulation of commodities! Quels *débouchés!* What a prodigious market would this event occasion!

it, that is to use it in employing more labourers upon the land would, as I said before, be to impoverish both himself and his family.

It would be still more useless to the manufacturers to go on producing clothing beyond what was wanted by the agriculturists and themselves. Their numbers indeed would entirely depend upon the demands of the agriculturists, as they would have no means of purchasing subsistence, but in proportion as there was a reciprocal want of their manufactures. The population required to provide simple clothing for such a society with the assistance of good machinery would be inconsiderable, and would absorb but a small portion of the proper surplus of rich and well cultivated land. There would evidently therefore be a general want of demand, both for produce and population; and while it is quite certain that an adequate passion for consumption may fully keep up the proper proportion between supply and demand, whatever may be the powers of production, it appears to be quite as certain that a passion for accumulation must inevitably lead to a supply of commodities beyond what the structure and habits of such a society will permit to be consumed.*

But if this be so, surely it is a most important error to couple the passion for expenditure and

* The reader must already know, that I do not share in the apprehensions of Mr. Owen about the permanent effects of machinery. But I am decidedly of opinion, that on this point he has the best of the argument with those who think that accumulation ensures effective demand.

the passion for accumulation together, as if they were of the same nature; and to consider the demand for the food and clothing of the labourer, who is to be employed productively, as securing such a general demand for commodities and such a rate of profits for the capital employed in producing them, as will adequately call forth the powers of the soil, and the ingenuity of man in procuring the greatest quantity both of raw and manufactured produce.

Perhaps it may be asked by those who have adopted Mr. Ricardo's view of profits,—what becomes of the division of that which is produced, when population is checked merely by want of demand? It is acknowledged that the powers of production have not begun to fail; yet, if labour produces largely and yet is ill paid, it will be said that profits must be high.

I have already stated in a former chapter, that the value of the materials of capital very frequently do not fall in proportion to the fall in the value of the produce of capital, and this alone will often account for low profits. But independently of this consideration, it is obvious that in the production of any other commodities than necessaries, the theory is perfectly simple. From want of demand, such commodities may be very low in price, and a large portion of the whole value produced may go to the labourer, although in necessaries he may be ill paid, and his wages, both with regard to the quantity of food which he receives and the labour required to produce it, may be decidedly low.

If it be said, that on account of the large portion of the value of manufactured produce which on this supposition is absorbed by wages, it may be affirmed that the cause of the fall of profits is high wages, I should certainly protest against so manifest an abuse of words. The only justifiable ground for adopting a new term, or using an old one in a new sense, is, to convey more precise information to the reader; but to refer to high wages in this case, instead of to a fall of commodities, would be to proceed as if the specific intention of the writer were to keep his reader as much as possible in the dark as to the real state of things.

In the production of necessaries however, it will be allowed, that the answer to the question is not quite so simple, yet still it may be made sufficiently clear. Mr. Ricardo acknowledges that there may be a limit to the employment of capital upon the land from the limited wants of society, independently of the exhaustion of the soil. In the case supposed, this limit must necessarily be very narrow, because there would be comparatively no population besides the agriculturists to make an effective demand for produce. Under such circumstances corn might be produced, which would lose the character and quality of wealth; and, as I before observed in a note, all the parts of the same produce would not be of the same value. The actual labourers employed might be tolerably well fed, as is frequently the case, practically, in those countries where the labourers are fed by the far-

mers,* but there would be little work or food for their grown up sons; and from varying markets and varying crops, the profits of the farmer might be the lowest at the very time when, according to the division of the produce, it ought to be the highest, that is, when there was the greatest proportionate excess of produce above what was paid to the labourer. The wages of the labourer cannot sink below a certain point, but a part of the produce, from excess of supply, may for a time be absolutely useless, and permanently it may so fall from competition as to yield only the lowest profits.

I would observe further, that if in consequence of a diminished demand for corn, the cultivators were to withdraw their capitals so as better to proportion their supplies to the quantity that could be properly paid for; yet if they could not employ the capital they had withdrawn in any other way, which, according to the preceding supposition, they could not, it is certain that, though they might for a time make fair profits of the small

* In Norway and Sweden, particularly the former, where the agricultural labourer either lives in the farmer's family or has a portion of land assigned to him in lieu of wages, he is in general pretty well fed, although there is but little demand for labour, and considerable competition for such employment. In countries so circumstanced, (and there are many such all over the world,) it is perfectly futile to attempt to estimate profits by the excess of the produce above what is consumed in obtaining it, when for this excess there may be often little or no market. All evidently depends upon the exchangeable value of the disposable produce.

stock which they still continued to employ in agriculture, the consequences to them as cultivators would be, to all intents and purposes, the same as if a general fall had taken place on all their capital.

If, in the process of saving, all that was lost by the capitalist was gained by the labourer, the check to the progress of wealth would be but temporary, as stated by Mr. Ricardo; and the consequences need not be apprehended. But if the conversion of revenue into capital pushed beyond a certain point must, by diminishing the effectual demand for produce, throw the labouring classes out of employment, it is obvious that the adoption of parsimonious habits in too great a degree may be accompanied by the most distressing effects at first, and by a marked depression of wealth and population permanently.

It is not, of course, meant to be stated that parsimony, or even a temporary diminution of consumption,* is not often in the highest degree useful, and sometimes absolutely necessary to the progress of wealth. A state may certainly be ruined by extravagance; and a diminution of the actual expenditure may not only be necessary on this account, but when the capital of a country is deficient, compared with the demand for its products, a temporary economy of consumption is required, in order to provide that supply of capital

* Parsimony, or the conversion of revenue into capital, may take place without any diminution of consumption, if the revenue increases first.

which can alone furnish the means of an increased consumption in future. All that I mean to say is, that no nation can *possibly* grow rich by an accumulation of capital, arising from a permanent diminution of consumption; because, such accumulation being greatly beyond what is wanted, in order to supply the effective demand for produce, a part of it would very soon lose both its use and its value, and cease to possess the character of wealth.

On the supposition indeed of a *given* consumption, the accumulation of capital beyond a certain point must appear at once to be perfectly futile. But, even taking into consideration the increased consumption likely to arise among the labouring classes from the abundance and cheapness of commodities, yet as this cheapness must be at the expense of profits, it is obvious that the limits to such an increase of capital from parsimony, as shall not be attended by a very rapid diminution of the motive to accumulate, are very narrow, and may very easily be passed.

The laws which regulate the rate of profits and the progress of capital, bear a very striking and singular resemblance to the laws which regulate the rate of wages and the progress of population.

Mr. Ricardo has very clearly shewn that the rate of profits must diminish, and the progress of accumulation be finally stopped, under the most favourable circumstances, by the increasing difficulty of procuring the food of the labourer. I, in like manner, endeavoured to shew in my

Essay on the Principle of Population that, under circumstances the most favourable to cultivation which could possibly be supposed to operate in the actual state of the earth, the wages of the labourer would become more scanty, and the progress of population be finally stopped by the increasing difficulty of procuring the means of subsistence.

But Mr. Ricardo has not been satisfied with proving the position just stated. He has not been satisfied with shewing that the difficulty of procuring the food of the labourer is the only *absolutely necessary* cause of the fall of profits, in which I am ready fully and entirely to agree with him: but he has gone on to say, that there is *no other cause* of the fall of profits in the actual state of things that has any degree of permanence. In this latter statement he appears to me to have fallen into precisely the same kind of error as I should have fallen into, if, after having shewn that the unrestricted power of population was beyond comparison greater than the power of the earth to produce food under the most favourable circumstances possible, I had allowed that population could not be redundant unless the powers of the earth to keep up with the progress of population had been tried to the uttermost. But I all along said, that population might be redundant, and greatly redundant, compared with the demand for it and the actual means of supporting it, although it might most properly be considered as deficient, and greatly deficient, compared with the extent of territory, and the powers of such territory to produce

additional means of subsistence; that, in such cases, notwithstanding the acknowledged deficiency of population, and the obvious desirableness of having it greatly increased, it was useless and foolish directly to encourage the birth of more children, as the effect of such encouragement, without a demand for labour and the means of paying it properly, could only be increased misery and mortality with little or no final increase of population.

Though Mr. Ricardo has taken a very different course, I think that the same kind of reasoning ought to be applied to the rate of profits and the progress of capital. Fully acknowledging that there is hardly a country in the four quarters of the globe where capital is not deficient, and in most of them very greatly deficient, compared with the territory and even the number of people; and fully allowing at the same time the extreme desirableness of an increase of capital, I should say that, where the demand for commodities was not such as to afford fair profits to the producer, and the capitalists were at a loss where and how to employ their capitals to advantage, the saving from revenue to add still more to these capitals would only tend prematurely to diminish the motive to accumulation, and still further to distress the capitalists, with little increase of a wholesome and effective capital.

The first thing wanted in both these cases of deficient capital and deficient population, is an effective demand for commodities, that is, a demand by those who are able and willing to pay an

adequate price for them; and though high profits are not followed by an increase of capital, so certainly as high wages are by an increase of population, yet I believe that they are so followed more generally than they appear to be, because, in many countries, as I have before intimated, profits are often thought to be high, owing to the high interest of money, when they are really low; and because, universally, risk in employing capital has precisely the same effect in diminishing the motive to accumulate and the reward of accumulation, as low profits. At the same time it will be allowed that determined extravagance, and a determined indisposition to save, may keep profits permanently high. The most powerful stimulants may, under peculiar circumstances, be resisted; yet still it will not cease to be true that the natural and legitimate encouragement to the increase of capital is that increase of the power and will to save which is held out by high profits; and under circumstances in any degree similar, such increase of power and will to save must almost always be accompanied by a proportionate increase of capital.

One of the most striking instances of the truth of this remark, and a further proof of a singular resemblance in the laws that regulate the increase of capital and of population, is to be found in the rapidity with which the loss of capital is recovered during a war which does not interrupt commerce. The loans to government convert capital into revenue, and increase demand at the same time

that they at first diminish the means of supply.* The necessary consequence must be an increase of profits. This naturally increases both the power and the reward of accumulation; and if only the same habits of saving prevail among the capitalists as before, the recovery of the lost stock must be rapid, just for the same kind of reason that the recovery of population is so rapid when, by some cause or other, it has been suddenly destroyed.

It is now fully acknowledged that it would be a gross error in the latter case, to imagine that, without the previous diminution of the population, the same rate of increase would still have taken place; because it is precisely the high wages occasioned by the demand for labour, which produce the effect of so rapid an increase of population. On the same principle it appears to me as gross an error to suppose that, without the previous loss of capital occasioned by the expenditure in question, capital should be as rapidly accumulated; because it is precisely the high profits of stock occasioned by the demand for commodities, and the consequent demand for

* Capital is withdrawn only from those employments where it can best be spared. It is hardly ever withdrawn from agriculture. Nothing is more common, as I have stated in the Chapter on Rent, than increased profits, not only without any capital being withdrawn from the land, but under a continual addition to it. Mr. Ricardo's assumption of constant prices would make it absolutely impossible to account theoretically for things as they are. If capital were considered as not within the pale of demand and supply, the very familiar event of the rapid recovery of capital during a war would be quite inexplicable.

the means of producing them, which at once give the power and the will to accumulate.

Though it may be allowed therefore that the laws which regulate the increase of capital are not quite so distinct as those which regulate the increase of population, yet they are certainly just of the same kind; and it is equally vain, with a view to the permanent increase of wealth, to continue converting revenue into capital, when there is no adequate demand for the products of such capital, as to continue encouraging marriage and the birth of children without a demand for labour and an increase of the funds for its maintenance.

SECTION IV.

Of the Fertility of the Soil, considered as a Stimulus to the continued Increase of Wealth.

In speaking of the fertility of the soil as not affording an adequate stimulus to the continued increase of wealth, it must always be recollected that a fertile soil gives at once the greatest natural capability of wealth that a country can possibly possess. When the deficient wealth of such a country is mentioned, it is not intended always to speak positively, but comparatively, that is with reference to its natural capabilites; and so understood, the proposition will be liable to few or no

exceptions. Perhaps, indeed, it may be said that no instance has occurred, in modern times, of a large and very fertile country having made full use of its natural resources; while there have been many instances of small and unfertile states having accumulated within their narrow limits, by means of foreign commerce, a degree of wealth very greatly exceeding the proportion which should belong to them, in reference to their physical capabilities.

If a small body of people were possessed of a rich and extensive inland territory, divided into large proportions, and not favourably situated with respect to markets, a very long period might elapse before the state became wealthy and populous, notwithstanding the fertility of the soil and the consequent facility of production. The nature of such a soil would make it yield a profit or rent to the owner in its uncultivated state. He would set a value therefore upon his property, as a source of profit as well as of power and amusement; and though it was capable of yielding much more raw produce than he and his immediate dependents could consume, he would by no means be disposed to allow others to seize on it, and divide it at their pleasure. He would probably let out considerable portions of it for small rents. But the tenant of these portions, if there were no foreign vent for the raw produce, and the commodities which contribute to the conveniences and luxuries of life were but little known, would have but small incitement to call forth the resources of his land, and give encouragement to a rapid increase of

population. By employing ten families he might perhaps, owing to the richness of the soil, obtain food for fifty; but he would find no proportionate market for this additional food, and would be soon sensible that he had wasted his time and attention in superintending the labour of so many persons. He would be disposed therefore to employ a smaller number; or if, from motives of humanity, or any other reason, he was induced to keep more than were necessary for the supply of the market, upon the supposition of their being tolerably industrious, he would be quite indifferent to their industry, and his labourers would naturally acquire the most indolent habits. Such habits would naturally be generated both in the masters and servants by such circumstances, and when generated, a considerable time and considerable stimulants are necessary to get rid of them.

It has been said, that those who have food and necessaries at their disposal will not be long in want of workmen, who will put them in possession of some of the objects most useful and desirable to them.* But this appears to be directly contradicted by experience. If the establishment, extension, and refinement of domestic manufactures were so easy a matter, our ancestors would not have remained for many hundred years so ill supplied with them; and been obliged to expend the main part of their raw produce in the support of idle retainers. They might be very ready, when

* Ricardo's Princ. of Polit. Econ. ch. xxi. p. 363. 2d. edit.

they had the opportunity, to exchange their surplus raw produce for the foreign commodities with which they were acquainted, and which they had learnt to estimate. But it would be a very difficult thing, and very ill suited to their habits and degree of information, to employ their power of commanding labour in setting up manufactures on their own estates. Though the land might be rich, it might not suit the production of the materials most wanted; and the necessary machinery, the necessary skill in using it, and the necessary intelligence and activity of superintendance, would all unavoidably be deficient at first, and under the circumstances supposed, must be of very slow growth; so that after those ruder and more indispensable articles were supplied, which are always wanted and produced in an early stage of society, it is natural enough that a great lord should prefer distinguishing himself by a few splendid foreign commodities, if he could get them, and a great number of retainers, than by a large quantity of clumsy manufactures, which involved great trouble of superintendance.

It is certainly true, however, taking as an instance an individual workman, and supposing him to possess a given degree of industry and skill, that the less time he is employed in procuring food, the more time will he be able to devote to the procuring of conveniences and luxuries; but to apply this truth to whole nations, and to infer that the greater is the facility of procuring food, the more abundantly will the people be supplied with con-

veniences and luxuries would be one among the many rash and false conclusions which are often made from the want of due attention to the change which the application of a proposition may make in the premises on which it rests. In the present case, all depends upon the supposition of a given degree of industry and skill, and the means of employing them. But if, after the necessaries of life were obtained, the workman should consider indolence as a greater luxury than those which he was likely to procure by further labour, the proposition would at once cease to be true. And as a matter of fact, confirmed by all the accounts we have of nations, in the different stages of their progress, it must be allowed that this choice seems to be very general in the early periods of society, and by no means uncommon in the most improved states.

Few indeed and scanty would be the portion of conveniences and luxuries found in society, if those who are the main instruments of their production had no stronger motives for their exertions than the desire of enjoying them. It is the want of *necessaries* which mainly stimulates the labouring classes to produce luxuries; and were this stimulus removed or greatly weakened, so that the necessaries of life could be obtained with very little labour, instead of more time being devoted to the production of conveniences, there is every reason to think that less time would be so devoted.

At an early period of cultivation, when only rich soils are worked, as the quantity of corn is the

greatest, compared with the quantity of labour required to produce it, we ought always to find a small portion of the population engaged in agriculture, and a large portion engaged in administering to the other wants of the society. And there can be little doubt that this is the state of things which we really should see, were it true, that if the means of maintaining labour be found, there can be no difficulty in making it produce objects of adequate value; or that when food can be obtained with facility, more time will be devoted to the production of conveniences and luxuries. But in examining the state of unimproved countries, what do we really see?—almost invariably, a much larger proportion of the whole people employed on the land than in those countries where the increase of population has occasioned the necessity of resorting to poor soils; and less time instead of more time devoted to the production of conveniences and luxuries.

Of the great landed nations of Europe, and indeed of the world, England, with only one or two exceptions, is supposed to have pushed its cultivation the farthest; and though the natural qualities of its whole soil by no means stand very high in the scale of comparative richness, there is a smaller proportion of the people employed in agriculture, and a greater proportion employed in the production of conveniences and luxuries, or living on monied incomes, than in any other agricultural country of the world. According to a calculation of Susmilch, in which he enumerates the different proportions

of people in different states, who live in towns, and are not employed in agriculture, the highest is that of seven to three, or seven people living in the country to three living in the towns:* whereas in England, the proportion of those engaged in agriculture, compared with the rest of the population, is less than as two to three.†

This is a very extraordinary fact, and affords a striking proof how very dangerous it is, in political economy, to draw conclusions from the physical quality of the materials which are acted upon, without reference to the moral as well as physical qualities of the agents.

It is undoubtedly a physical quality of very rich land, if worked by people possessing a given degree of industry and skill, to yield a large quantity of produce, compared with the number of hands employed; but, if the facility of production which rich land gives has the effect, under certain circumstances, of preventing the growth of industry and skill, the land may become practically less productive, compared with the number of persons employed upon it, than if it were not distinguished for its richness.

Upon the same principle, the man who can procure the necessary food for his family, by two days labour in the week, has the physical power of working much longer to procure conveniences

* Susmilch, vol. iii. p. 60. Essay on Population, vol. i. p. 459. edit. 5th. In foreign states very few persons live in the country who are not engaged in agriculture; but it is not so in England.

† Population Abstracts, 1811.

and luxuries, than the man who must employ four days in procuring food; but if the facility of getting food creates habits of indolence, this indolence may make him prefer the luxury of doing little or nothing, to the luxury of possessing conveniences and comforts; and in this case, he may devote less time to the working for conveniences and comforts, and be more scantily provided with them than if he had been obliged to employ more industry in procuring food.

Among the crowd of countries which tend more or less to illustrate and confirm by their present state the truth of these positions, none perhaps will do it more strikingly than the Spanish dominions in America, of which M. Humboldt has lately given so valuable an account.

Speaking of the different plants which are cultivated in New Spain, he says of the banana, " Je doute qu'il existe une autre plante sur le globe qui, sur un si petit espace de terrain, puisse produire une masse de substance nourrissante aussi considérable."* He calculates in another place more particularly, that " dans un pays éminemment fertile un demi hectare, ou un arpent légal cultivé en bananes de la grande espèce, peut nourrir plus de cinquantes individus, tandis qu'en Europe le même arpent ne donneroit par an, en supposant le huitième grain, que 576 kilogrammes de farine de froment, quantité qui n'est pas suffisante pour la subsistance de deux individus: aussi rien ne frappe plus l'Européen

* Essai Politique sur la Nouvelle Espagne, tom. iii. l. iv. c. ix. p. 28.

récemment arrivé dans la zone torride que l'extrême petitisse des terrains cultivés autour d'une cabane qui renferme une famille nombreuse d'indigènes."*

It appears further, that the banana is cultivated with a very trifling quantity of labour, and " se perpétue sans que l'homme y mette d'autre soin que de couper les tiges dont le fruit a mûri, et de donner à la terre une ou deux fois par an un léger labour en piochant autour des racines."†

What immense powers of production are here described! What resources for unbounded wealth, if effectively called into action? Yet what is the actual state of things in this fertile region. M. Humboldt says, " On entend souvent répéter dans les colonies Espagnoles, que les habitans de la région chaude (tierra caliente) ne pourront sortir de l'état d'apathie dans lequel ils sont plongés depuis des siècles, que lorsqu'une *cedule royale* ordonnera la destruction des bananiers. Le remède est violent; et ceux qui le proposent avec tant de chaleur ne déploient généralement pas plus d'activité que le bas-peuple qu'ils veulent forcer au travail en augmentant la masse de ses besoins. Il faut espérer que l'industrie fera des progrès parmi les Mexicains sans qu'on emploie des moyens de destruction. En considérant d'ailleurs la facilité avec laquelle l'homme se nourrit dans un climat où croissent les bananiers, on ne doit pas s'étonner que dans la région equinoctiale du nouveau con-

* Nouvelle Espagne, tom. iii. l. iv. c. ix. p. 36.

† Id. p. 28.

tinent la civilisation ait commencé dans les montagnes, sur un sol moins fertile, sous un ciel moins favorable au développement des êtres organisés où le besoin même réveille l'industrie.

" Au pied de la Cordillère dans les vallées humides des Intendances de Vera-Cruz, de Valladolid, ou de Guadalaxara, un homme qui employe seulement deux jours de la semaine à un travail peu pénible peut fournir de la subsistance à une famille entière."*

It appears then, that the extreme fertility of these countries, instead of affording an adequate stimulus to a rapid increase of wealth and population, has produced, under the actual circumstances in which they have been placed, a degree of indolence which has kept them poor and thinly peopled after the lapse of ages. Though the labouring classes have such ample time to work for conveniences and comforts, they are almost destitute of them. And, even in the necessary article of food, their indolence and improvidence prevent them from adopting those measures which would secure them against the effects of unfavourable seasons. M. Humboldt states that famines are common to almost all the equinoctial regions; and observes that, " sous la zone torride, où une main bienfaisante semble avoir répandu le germe de l'abondance, l'homme insouciant et phlegmatique éprouve périodiquement un manque de nourriture que l'industrie des peuples cultivés éloigne des régions les plus stériles du Nord."*

* Humboldt's Nouvelle Espagne, tom. iii. l. iv. c. ix. p. 38.

It is possible, however, that the heat of the climate in these lower regions of New Spain, and an inferior degree of healthiness compared with the higher regions, though by no means such as to preclude a full population, may have assisted in keeping them poor and thinly peopled. But when we ascend the Cordilleras, to climates which seem to be the finest in the world, the scene which presents itself is not essentially different.

The chief food of the lower classes of the inhabitants on the elevated plains of the Cordilleras, is maize; and maize, though not so productive, compared with the labour employed upon it, as the banana, exceeds very greatly in productiveness the grains of Europe, and even of the United States. Humboldt states, that " La fécondité du *thaolli*, ou maïs Mexicain, est au-delà de tout ce que l'on peut imaginer en Europe. La plante, favorisée par de fortes chaleurs et par beaucoup d'humidité, aquiert une hauteur de deux à trois mètres. Dans les belles plaines qui s'étendent depuis San Juan del Rio à Quiretaro, par exemple, dans les terres de la grande metairie de l'Esperanza, un fanègue de maïs en produit quelquefois huit cents; des terreins fertiles en donnent, année commune, trois à quatre cents. Dans les environs de Valladolid on regarde comme mauvaise une récolte qui ne donne que 130 ou 150 fois la semence. Là où le sol est

* Essai Politique sur la Nouvelle Espagne, tom. i. l. ii. c. v. p. 358.

le plus stérile, on compte encore soixante ou quatre-vingt grains. On croit qu'en général le produit du maïs peut être évalué dans la région equinoctiale du royaume de la Nouvelle Espagne à cent cinquante pour un."*

This great fertility produces, as might be expected, its natural effect of making the maintenance of a family in ordinary times extremely easy.

In the town of Mexico itself, where provisions are very considerably dearer than in the country, on account of the badness of the roads, and the expense of carriage, the very dregs of the people are, according to Humboldt, able to earn their maintenance by only one or two days' labour in the week.† " Les rues de Mexico fourmillent de vingt à trente mille malheureux *(Saragates Guachinangos)*, dont la plûpart passent la nuit à la belle étoile, et s'étendent le jour au soleil, le corps tout nu enveloppé dans une couverture de flanelle. Cette lie du peuple, Indiens et Metis, présentent beaucoup d'analogie avec les Lazaronis de Naples. Paresseux, insoucians, sobres comme eux, les Guachinangos n'ont cependant aucune férocité dans le caractère; ils ne demandent jamais l'aumône: s'ils travaillent un ou deux jours par semaine, ils gagnent ce qu'il leur faut pour acheter du pulque, ou de ces canards qui couvrent les lagunes Mexicaines, et que l'on rôtit dans leur propre graisse."

But this picture of poverty is not confined to

* Essai Politique sur la Nouvelle Espagne, tom. iii. l. iv. c. ix. p. 56.

† Tom. ii. l. ii. c. vii. p. 37.

the dregs of the inhabitants of a large town. " Les Indiens Mexicains, en les considérant en masse, présentent le tableau d'une grande misère. Relégués dans les terres les moins fertiles; indolens par caractère, et plus encore par suite de leur situation politique, les natifs ne vivent qu'au jour le jour."*

With these habits they are little likely to make provision against the occasional failures in the crops of maize, to which these crops are peculiarly liable; and consequently, when such failures take place, they are exposed to extreme distress. Speaking generally of the obstacles to the progress of population in New Spain, Humboldt seems to consider famine and the diseases which it produces, as the most cruel and destructive of all. " Les Indiens Américains," (he says) " comme les habitans de l'Indostan, sont accoûtumés à se contenter de la moindre quantité d'alimens qu'exige le besoin de la vie; ils augmentent en nombre sans que l'accroissement des moyens de subsistance soit proportional à cette augmentation de population. Indolens par caractère, et surtout à cause de la position dans laquelle ils se trouvent sous un beau climat, sur un sol généralement fertile, les indigènes ne cultivent en maïs, en pommes de terre, et en froment que ce qu'il leur faut pour leur propre nourriture, ou tout au plus ce que requiert la consommation des villes et celle des mines les plus voisines." And further on, he says, " le manque

* Tom. i. liv. ii. c. vi. p. 429.

de proportion qui existe entre les progrès de la population et l'accroissement de la quantité d'alimens produite par la culture, renouvelle le spectacle affligeant de la famine chaque fois qu'une grande sécheresse ou quelque autre cause locale a gâté la récolte du maïs."*

These accounts strikingly shew the indolence and improvidence which prevail among the people. Such habits must necessarily act as formidable obstacles in the way of a rapid increase of wealth and population. Where they have been once fully established, they are not likely to change, except gradually and slowly under a course of powerful and effective stimulants. And while the extreme inequality of landed property continues, and no sufficient vent is found for the raw produce in foreign commerce, these stimulants will be furnished very slowly and inadequately.

That the indolence of the natives is greatly aggravated by their political situation, cannot for a moment be doubted; but that, in spite of this situation, it yields in a great measure to the usual excitements is sufficiently proved by the rapid cultivation which takes place in the neighbourhood of a new mine, where an animated and effective demand is created for labour and produce. "Bientôt le besoin réveille l'industrie; on commence à labourer le sol dans les ravins, et sur les pentes des montagnes voisines, par tout où le roc est couvert de terreau: des fermes s'établissent dans le voisi-

* Nouvelle Espagne, tom. i. liv. ii. c. v. pp. 355 et 356.

nage de la mine: la cherté des vivres, le prix considérable auquel la concurrence des acheteurs maintient tous les produits de l'agriculture, dédommagent le cultivateur des privations auxquelles l'expose la vie pénible des montagnes."*

When these are the effects of a really brisk demand for produce and labour, we cannot be at a loss for the main cause of the slow cultivation which has taken place over the greatest part of the country. Except in the neighbourhood of the mines and near the great towns, the effective demand for produce is not such as to induce the great proprietors to bring their immense tracts of land properly into cultivation: and the population, which, as we have seen, presses hard against the limits of subsistence, evidently exceeds in general the demand for labour, or the number of persons which the country can employ with regularity and constancy in the actual state of its agriculture and manufactures.

In the midst of an abundance of fertile land, it appears that the natives are often very scantily supplied with it. They would gladly cultivate portions of the extensive districts held by the great proprietors, and could not fail of thus deriving an ample subsistence for themselves and families; but in the actual state of the demand for produce in many parts of the country, and in the actual state of the ignorance and indolence of the natives, such tenants might not be able to pay a rent equal to

* Nouvelle Espagne, tom. iii. liv. iv. c. ix. p. 12.

what the land would yield in its uncultivated state, and in this case they would seldom be allowed to intrude upon such domains; and thus lands which might be made capable of supporting thousands of people, may be left to support a few hundreds of cattle.

Speaking of a part of the Intendency of Vera Cruz, Humboldt says, "Aujourd'hui des espaces de plusieurs lieues carrées sont occupés par deux ou trois cabanes, autour desquelles errent des bœufs à demi-sauvages. Un petit nombre de familles puissantes, et qui vivent sur le plateau central, possèdent la plus grande partie du littoral des Intendances de Vera Cruz, et de San Luis Potosi. Aucune loi agraire ne force ces riches propriétaires de vendre leurs majorats, s'ils persistent à ne pas vouloir défricher eux-mêmes des terres immenses qui en dépendent."*

Among proprietors of this description, caprice and indolence might often prevent them from cultivating their lands. Generally, however, it might be expected, that these tendencies would yield, at least in a considerable degree, to the more steady influence of self-interest. But a vicious division of territory prevents the motive of interest from operating so strongly as it ought to do in the extension of cultivation. Without sufficient foreign commerce to give value to the raw produce of the land; and before the general introduction of manufactures had opened channels

* Tom. ii. l. iii. c. viii. p. 342.

for domestic industry, the demand of the great proprietors for labour would be very soon supplied; and beyond this, the labouring classes would have nothing to give them for the use of their lands. Though the landholders might have ample power to support an extended population on their estates, the very slender increase of enjoyments, if any, which they might derive from it, would rarely be sufficient to overcome their natural indolence, or overbalance the possible inconveniences or trouble that might attend the proceeding. Of that encouragement to the increase of population, which arises from the division and sub-division of land as new families are brought into being, the country is deprived by the original state of property, and the feudal customs and habits which it necessarily tends to generate. And under these circumstances, if a comparative deficiency of commerce and manufactures, which great inequality of property tends rather to perpetuate than to correct, prevents the growth of that demand for labour and produce, which can alone remedy the discouragement to population occasioned by this inequality, it is obvious that Spanish America may remain for ages thinly peopled and poor, compared with her natural resources.

And so, in fact, she has remained. For though the increase of population and wealth has been considerable, particularly of late years, since the trade with the mother-country has been more open, yet altogether it has been far short of what it would have been, even under a Spanish govern-

ment, if the riches of the soil had been called forth by a better division of landed property, or a greater and more constant demand for raw produce.

Humboldt observes that "Les personnes qui ont réfléchi sérieusement sur la richesse du sol Mexicain savent que, par le moyen d'une culture plus soignée, et sans supposer des travaux extraordinaires pour l'irrigation des champs, la portion de terrain déjà défriché pourroit fournir de la subsistance pour une population huit à dix fois plus nombreuse." He then adds, very justly, "Si les plaines fertiles d'Atalisco, de Cholula et de Puebla ne produisent pas des récoltes plus abondantes, la cause principale doit être cherchée dans le manque des consommateurs, et dans les entraves que les inégalités du sol opposent au commerce intérieur des grains, surtout à leur transport vers les côtes qui sont baignées par la mer des Antilles."* In the actual state of these districts, the main and immediate cause which retards their cultivation is indeed the want of consumers, that is, the want of power to sell the produce at such a price as will at once encourage good cultivation, and enable the farmers to give the landlords something that they want, for the use of their land. And nothing is so likely to prevent this price from being obtained, as any obstacles natural or artificial to internal and external commerce.

That the slow progress of New Spain in wealth

* Tom. iii. l. iv. c. ix. p. 89.

and population, compared with its prodigious resources, has been more owing to want of demand than want of capital, may fairly be inferred from the actual state of its capital, which, according to Humboldt, is rather redundant than deficient. Speaking of the cultivation of sugar, which he thinks might be successfully carried on in New Spain, he says, "La Nouvelle Espagne, outre l'avantage de sa population, en a encore un autre très important, celui d'une masse énorme de capitaux amoncelés chez les propriétaires des mines ou entre les mains de négocians qui se sont retirés du commerce."*

Altogether the state of New Spain, as described by Humboldt, clearly shews—

1st. That the power of supporting labour may exist to a much greater extent than the will.

2dly. That the time employed in working for conveniences and luxuries is not always great in proportion as the time employed in working for food is small.

3dly. That the deficient wealth of a fertile country may be more owing to want of demand than want of capital.

And, in general, that fertility of soil alone is not an adequate stimulus to the continued increase of wealth.

It is not necessary, however, to go so far as the Spanish dominions in America, to illustrate these propositions. The state of the mother-country itself, and of most of the countries of Europe,

* Tom. iii. l. iv. c. x. p. 178.

would furnish the same conclusions. We need not indeed go farther than Ireland to see a confirmation of them to a very considerable extent.

The cultivation of the potatoe, and its adoption as the general food of the lower classes of the people in Ireland, has rendered the land and labour necessary to maintain a family, unusually small, compared with most of the countries of Europe. The consequence of this facility of production, unaccompanied by such a train of fortunate circumstances as would give it full effect in the increase of wealth, is a state of things resembling, in many respects, countries less advanced in civilization and improvement.

The prominent feature of Ireland is, the power which it possesses and actually exercises, of supporting a much greater population than it can employ, and the natural and necessary effect of this state of things, is the very general prevalence of habits of indolence. The landed proprietors and principal tenants being possessed of food and necessaries, or at least of the ready means of procuring them, have found workmen in abundance at their command; but these workmen not finding sufficient employment in the farms on which they had settled, have rarely been able to put their landlords in possession of the objects "most useful and most desirable" to them. Sometimes, indeed, from the competition for land occasioned by an overflowing population, very high rents have been given for small portions of ground fit for the growth of potatoes; but as the power of paying such rents must depend, in a considerable degree, upon the

power of getting work, the number of families upon an estate, who can pay high money rents, must have an obvious limit. This limit, there is reason to believe, has been often found in the inability of the Irish cottar to pay the rent which he had contracted for; and it is generally understood that the most intelligent Irish landlords, influenced both by motives of humanity and interest, are now endeavouring to check the progress of that redundant population upon their estates, which, while it generates an excessive degree of poverty and misery as well as indolence, seldom makes up to the employer, in the lowness of wages, for the additional number of hands which he is obliged to hire, or call upon for their appointed service in labour. He is now generally aware that a smaller number of more industrious labourers would enable him to raise a larger produce for the consumption of towns and manufacturers, and at the same time that they would thus contribute more largely to the general wealth of the country, would be in a more happy condition themselves, and enable him to derive a larger and more certain rent from his estates. It may fairly be said therefore, that the possessors of food and necessaries in Ireland have not been able to obtain the objects most useful and desirable to them in return.

The indolence of the country-labourers in Ireland has been universally remarked. And whether this arises from there being really little for them to do in the actual state of things, or from a natural tendency to idleness, not to be overcome by ordi-

nary stimulants; it is equally true that the large portion of time of which they have the command, beyond what is employed in providing themselves with necessaries, does not certainly produce the effect of making them abound in conveniences and luxuries. The poor clothing and worse lodging of the Irish peasant are as well known as the spare time which it might be expected would be the means of furnishing him amply with all kinds of conveniences.

In defence, however, of the Irish peasant, it may be truly said, that in the state of society in which he has been placed, he has not had a fair trial; he has not been subjected to the ordinary stimulants which produce industrious habits. In almost every part of the island, particularly in the south and west, the population of the country districts is greater than the actual business to be done on the land can employ. If the people, therefore, were ever so industriously inclined, it is not possible for them all to get regular employment in the occupations which belong to the soil. In the more hilly parts of the country which are devoted chiefly to pasture, this impossibility is more particularly striking. A small farm among the Kerry mountains may support perhaps a large family, among whom are a number of grown-up sons; but the business to be done upon the farm is a mere trifle. The greatest part of it falls to the share of the women. What remains for the men cannot occupy them for a number of hours equal to a single day in the week; and the consequence is, they are generally

seen loitering about, as if time was absolutely of no value to them.

They might, one should suppose, with all this leisure, employ themselves in building better houses, or at least in improving them, and keeping them neat and clean. But with regard to the first, some difficulties may occur in procuring materials; and with regard to the second, it appears from experience, that the object is either not understood, or not considered as worth the trouble it would cost.

They might also, one should suppose, grow or purchase the raw materials of clothing, and work them up at home; and this in fact is really done to a certain extent. Most of the linen and woollen they wear is prepared by themselves. But the raw materials, when not of home growth, cannot be purchased without great difficulty, on account of the low money prices of labour; and in preparing them for wear, the temptations to indolence will generally be too powerful for human weakness, when the question is merely about a work which may be deferred or neglected, with no other effect than that of being obliged to wear old clothes a little longer, in a country where custom is certainly in their favour.

If the Irish peasant could find such a market for the result of his in-door occupations as would give him constant employment at a fair money price, his habits might soon change; but it may be doubted whether any large body of people in any country ever acquired regular and industrious habits, where they were unable to get regular and

constant work, and when, to keep themselves constantly and beneficially employed, it was necessary to exercise a great degree of providence, energy, and self-command.

It may be said, perhaps, that it is capital alone which is wanted in Ireland, and that if this want were supplied, all her people might be easily employed. That one of the great wants of Ireland is capital will be readily allowed; but I conceive it would be a very great mistake to suppose that the importation of a large quantity of capital, if it could be effected, would at once accomplish the object required, and create a quantity of wealth proportioned to the labour which seems ready to be employed in its production. The amount of capital which could be laid out in Ireland in preparing goods for foreign sale, must evidently depend upon the state of foreign markets; and the amount that could be employed in domestic manufactures, must as evidently depend upon the domestic demand. An attempt to force a foreign market by means of capital, must necessarily occasion a premature fall of profits, and might, after great losses, be quite ineffectual; and with regard to the domestic demand, while the habits of the great mass of the people are such as they are at present, it must be quite inadequate to take off the products of any considerable mass of new capital. In a country, where the necessary food is obtained with so little labour, and the population is still equal or nearly equal to the produce, it is perhaps impossible that the time not devoted to the production of food should create a proportionate quantity of wealth, without a very decided taste for conveniences and luxuries among the lower classes of society, and such a power of purchasing as would occasion an effective demand for them. But it is well known, that the taste of the Irish peasant for articles of this description is yet to be formed. His wants are few, and these wants he is in the habit of supplying principally at home. Owing to the cheapness of the potatoe, which forms the principal food of the lower classes of the people, his money wages are low; and the portion which remains, after providing absolute necessaries, will go but a very little way in the purchase of conveniences. All these circumstances are most unfavourable to the increase of wealth derived from manufactures destined for home consumption. But the tastes and habits of a large body of people are extremely slow in changing; and in the mean time the application of capital in larger quantities than was suited to the progress of the change, would certainly fail to yield such profits as would encourage its continued accumulation and application in the same way. In general it may be said that demand is quite as necessary to the increase of capital as the increase of capital is to demand. They mutually act upon and encourage each other, and neither of them can proceed with vigour if the other be left far behind.

In the actual state of Ireland, I am inclined to believe, that the check which the progress of her manufactures has received, has been owing to a want of demand rather than a want of capital.

Her peculiar distress upon the termination of the late war had unquestionably this origin, whatever might have been the subsequent destruction of capital. And the great checks to her manufactures formerly were the unjust and impolitic restrictions imposed by England which prevented, or circumscribed the demand for them. When, however, a brisk demand for any manufacture has existed, few instances I believe have occurred of its being allowed to languish through the want of capital; though there is reason to think that advances of capital have been sometimes made, which have failed to create an adequate market.

The state of Ireland in respect to the time and labour necessary to the production of her food is such, that her capabilities for manufacturing and commercial wealth are prodigious. If an improved system of agriculture were to raise the food and raw materials required for the population with the smallest quantity of labour necessary to do it in the best manner, and the remainder of the people, instead of loitering about upon the land, were engaged in manufactures and commerce carried on in great and flourishing towns, Ireland would be beyond comparison richer than England. This is what is wanted to give full scope to her great natural resources; and to attain this state of things an immense capital is undoubtedly required; but it can only be employed to advantage as it is gradually called for; and a premature supply of it would be much less beneficial and less permanent in its effects, than such a change in the tastes and

habits of the lower classes of people, and such an alteration in the mode of paying their labour, as would give them both the will and the power to purchase domestic manufactures and foreign commodities.

The state of Ireland then may be said to lead to nearly the same conclusions as that of New Spain, and to shew—

That the power of supporting labour may often exist to a much greater extent than the will;

That the necessity of employing only a small portion of time in producing food does not always occasion the employment of a greater portion of time in procuring conveniences and luxuries;

That the deficiency of wealth in a fertile country may be more owing to want of demand than to want of capital;

And, in general, that the fertility of the soil alone is not an adequate stimulus to the permanent increase of wealth.

SECTION V.

Of Inventions to save Labour, considered as a Stimulus to the continued Increase of Wealth.

Inventions to save labour seldom take place to any considerable extent, except when there is a decided demand for them. They are the natural products

of improvement and civilization, and, in their more perfect forms, generally come in aid of the failing powers of production on the land. The fertility of the soil, being a gift of nature, exists whether it is wanted or not; and must often therefore exceed for many hundred years the power of fully using it. Inventions, which substitute machinery for manual exertions, being the result of the ingenuity of man, and called forth by his wants, will, as might be expected, seldom greatly exceed those wants.

But the same laws apply to both. They both come under the head of facilities of production; and in both cases a full use cannot be made of this facility, unless the power of supply which it furnishes be accompanied by an adequate extension of the market.

When a machine is invented, which, by saving labour, will bring goods into the market at a much cheaper rate than before, the most usual effect is such an extension of the demand for the commodity, by its being brought within the power of a much greater number of purchasers, that the value of the whole mass of goods made by the new machinery greatly exceeds their former value; and, notwithstanding the saving of labour, more hands, instead of fewer, are required in the manufacture.

This effect has been very strikingly exemplified in the cotton machinery of this country. The consumption of cotton goods has been so greatly extended both at home and abroad, on account of their cheapness, that the value of the whole of

the cotton goods and twist now made exceeds, beyond comparison, the former value; while the rapidly increasing population of the towns of Manchester, Glasgow, &c. during the last thirty years, amply testifies that, with a few temporary exceptions, the demand for the labour concerned in the cotton manufactures, in spite of the machinery used, has been increasing very greatly.

When the introduction of machinery has this effect, it is not easy to appreciate its enriching power, or its tendency to increase both the value and quantity of domestic and foreign commodities.

When however the commodity to which machinery is applied is not of such a nature, that its consumption can extend with its cheapness, the increase of wealth derived from it is neither so great nor so certain. Still however it may be highly beneficial; but the extent of this benefit depends upon a contingency. Let us suppose a number of capitalists in the habit of employing 20,000*l.* each in a manufacture of limited consumption, and that machines were introduced which, by the saving of labour, would enable them to supply the actual demand for the commodity with capitals of ten thousand pounds each, instead of twenty. There would, in this case, be a certain number of ten thousand pounds, and the men employed by these capitals, thrown out of employment. On the other hand, there would be a portion of revenue set free for the purchase of fresh commodities; and this demand would undoubtedly be of the greatest advantage in encouraging the

employment of the vacant capitals in other directions. At the same time it must be recollected that this demand is not a new one, and, even when fully supplied, could only replace the diminution of capital and profits in one department, occasioned by the employment of so many ten thousands, instead of twenty thousands. But in withdrawing capital from one employment and placing it in another, there is almost always a considerable loss. Even if the whole of the remainder were directly employed, it would be less in amount. Though it might yield a greater produce, it would not command the same quantity of labour as before; and, unless more menial servants were used, many persons would be thrown out of work; and thus the power of the whole capital to command the same quantity of labour would evidently depend upon the contingency of the vacant capitals being withdrawn undiminished from their old occupations, and finding immediately equivalent employment in others.

If, in order to try the principle, we were to push it farther, and to suppose that, without any extension of the foreign market for our goods, we could by means of machinery obtain all the commodities at present in use, with one third of the labour now applied, is it in any degree probable that the mass of vacant capitals could be advantageously employed, or that the mass of labourers thrown out of work could find the means of commanding an adequate share of the national produce? If there were other foreign trades which, by means of the

capital and labour thrown out of employment, might be greatly extended, the case would be at once quite altered, and the returns of such trades might furnish stimulants sufficient to keep up the value of the national income. But, if only an increase of domestic commodities could be obtained, there is every reason to fear that the exertions of industry would slacken. The peasant, who might be induced to labour an additional number of hours for tea or tobacco, might prefer indolence to a new coat. The tenant or small owner of land, who could obtain the common conveniences and luxuries of life at one third of their former price, might not labour so hard to procure the same amount of surplus produce from the land. And the trader or merchant, who would continue in his business in order to be able to drink and give his guests claret and champagne, might think an addition of homely commodities by no means worth the trouble of so much constant attention.

It has been said that, when there is an income ready for the demand, it is impossible that there should be any difficulty in the employment of labour and capital to supply it, as the owner of such an income, rather than not spend it, would purchase a table or chair that had cost the labour of a hundred men for a year. This may be true, in cases of fixed monied revenues, obtained by inheritance, or with little or no trouble. We well know that some of the Roman nobles, who obtained their immense wealth chiefly by the

easy mode of plunder, sometimes gave the most enormous prices for fancied luxuries. A feather will weigh down a scale when there is nothing in the opposite one. But where the amount of the incomes of a country depend, in a considerable degree, upon the exertion of labour, activity and attention, there must be something in the commodities to be obtained sufficiently desirable to balance this exertion, or the exertion will cease. And experience amply shews, by the number of persons who daily leave off business, when they might certainly have continued to improve their fortunes, that most men place some limits, however variable, to the quantity of conveniences and luxuries which they will labour for; and that very few indeed would attend a counting-house six or eight hours a day, in order to purchase commodities which have no other merit than the quantity of labour which has been employed upon them.

Still however it is true that, when a great income has once been created in a country, in the shape of a large mass of rents, profits and wages, a considerable resistance will be made to any essential fall in its value. It is a very just remark of Hume,* that when the affairs of a society are brought to this situation; that is, when, by means of foreign trade, it has acquired the tastes necessary to give value to a great quantity of labour not employed upon actual necessaries, it may lose most of this trade, and yet continue great and

* Essays, vol. i. p. 293.

powerful, on account of the extraordinary efforts which would be made by the spare capital and ingenuity of the country to refine home manufactures, in order to supply the tastes already formed, and the incomes already created. But if we were to allow that the income of such a nation might, in this way, by possibility be maintained, there is little chance of its increasing; and it is almost certain that it would not have reached the same amount, without the market occasioned by foreign commerce.

Of this I think we shall be convinced, if, in our own country, we look at the quantity of goods which we export chiefly in consequence of our machinery, and consider the nature of the returns obtained for them. In the accounts of the year ended the 5th of January 1818, it appears that the exports of three articles alone in which machinery is used—cottons, woollen and hardware, including steel goods, &c. are valued at above 29 millions. And among the most prominent articles of the imports of the same year, we find coffee, indigo, sugar, tea, silks, tobacco, wines, and cotton-wool, amounting in value all together to above 18 millions out of thirty! Now I would ask how we should have obtained these valuable imports, if the foreign markets for our cottons, woollens, and hardware had not been extended with the use of machinery? And further, where we could have found substitutes at home for such imports, which would have been likely to have produced the same effects, in stimulating the cultivation of the land, the accumulation

of capital, and the increase of population? And when to these considerations we add the fortunes which have been made in these manufactures, the market for which has been continually extending, and continually requiring more capital and more people to be employed in them; and contrast with this state of things the constant necessity of looking out for new modes of employing the same capital and the same people, a portion of which would be thrown out of their old occupations by every new invention;—we must be convinced that the state of this country would have been totally different from what it is, and that it would not certainly have acquired the same income in rents, profits and wages, if the same ingenuity had been exercised in the invention of machinery, without the same extension of the market for the commodities produced.

It may justly be doubted, whether, at the present moment, upon the supposition of our foreign intercourse being interrupted, we should be likely to find efficient substitutes for teas, coffee, sugar, wines, silks, indigo, cottons, &c. so as to keep up the value of our present income; but it cannot well be doubted, that if, from the time of Edward the First, and setting out with the actual division of landed property which then prevailed, the foreign vent for our commodities had remained stationary, our revenue from the land alone would not have approached to what it is at present, and still less, the revenue from trade and manufactures.

Even under the actual division of the landed

property in Europe, which is very much better than it was 500 years ago, most of the states of which it is composed would be comparatively unpeopled, if it were not for trade and manufactures. Without the excitements arising from the results of this sort of industry, no sufficient motives could be presented to them either to divide their great estates by sale, or to take care that they were well cultivated.

According to Adam Smith, the most important manufactures of the northern and western parts of Europe were established either in imitation of foreign articles, the tastes for which had been already formed by a previous foreign trade, or by the gradual refinement of domestic commodities till they were fit for exportation.* In the first case, the very origin of the manufacture is made to depend upon a previous extension of market, and the importation of foreign articles; and in the second case, the main object and use of refining the domestic commodities in an inland country, appears to be the fitting them for an extensive market, without which the local advantages enjoyed would be in a great measure lost.

In carrying on the late war, we were powerfully assisted by our steam-engines, which enabled us to command a prodigious quantity of foreign produce and foreign labour. But how would their efficacy have been weakened if we could not have exported our cottons, cloths and hardware?

* Wealth of Nations, Vol. ii. B. iii. ch. iii. p. 115. 6th edit.

If the mines of America could be successfully worked by machinery, and the King of Spain's tax could be increased at will, so as to make the most of this advantage, what a vast revenue might they not be made to afford him! But it is obvious that the effects of such machinery would sink into insignificance, if the market for the precious metals were confined to the adjacent countries, and the principal effect of it was to throw capital and labour out of employment.

In the actual state of things in this country, the population and wealth of Manchester, Glasgow, Leeds, &c. have been greatly increasing; because, on account of the extending demand for their goods, more people have been continually required to work them up; but if a much smaller number of people had been required, on account of a saving of labour from machinery, without an adequate extension of the market, it is obvious that these towns would have been comparatively poor, and thinly peopled. To what extent the spare capital and labour thrown out of employment in one district would have enriched others, it is impossible to say; and on this subject any assertion may be made, as we cannot be set right by an appeal to facts. But I would ask, whether there are any grounds in the slightest degree plausible for saying, that not only the capital spared at any time from these manufactures would be preserved and employed elsewhere; but that it would be employed as profitably, and create as much exchangeable value in other places as it would have done in

Manchester and Glasgow, with an extending market? In short, are there any plausible grounds whatever for stating that, if the twenty millions worth of cottons which we now export, were entirely stopped, either by successful foreign competition or positive prohibitions, we should have no difficulty in finding employment for our capital and labour equally advantageous to individuals in point of profit, and equally enriching to the country with respect to the exchangeable value of its revenue?

Unquestionably any country has the power of consuming all that it produces, however great in quantity; and every man in health has the *power* of applying his mind and body to productive labour for ten or twelve hours of the day. But these are dry assertions respecting the powers of a country, which do not necessarily involve any practical consequences relating to the increase of wealth. If we could not export our cottons, it is quite certain that, though we might have the power, we should not have the will, to consume them all in kind at home; and the maintenance of our national wealth and revenue would depend entirely upon the circumstance whether the capital thrown out of the cotton trade could be so applied as to produce commodities which would be estimated as highly and consumed as eagerly as the foreign goods before imported. There is no magic in foreign markets. The final demand and consumption must always be at home; and if goods could be produced at home, which would excite people to work as many

hours in the day, would communicate the same enjoyments, and create a consumption of the same *value*, foreign markets would be useless. We know however from experience, that very few countries are capable of producing commodities of the same efficacy, in this respect, as those which may be obtained by a trade to various climates and soils. Without such a trade, and with a great increase in the power of production, there is no inconsiderable danger that industry, consumption, and exchangeable value would diminish; and this danger would most unquestionably be realized if the cheapness of domestic commodities occasioned by machinery, were to lead to increased saving rather than to increased expenditure.

But it is known that facilities of production have the strongest tendency to open markets, both at home and abroad. In the actual state therefore of most countries, there is little reason to apprehend any permanent evil from the introduction of machinery. The presumption always is, that it will lead to a great extension of wealth and value. But still we must allow that the pre-eminent advantages derived from the substitution of machinery for manual labour, depend upon the extension of the market for the commodities produced, and the increased stimulus given to consumption; and that, without this extension of market and increase of consumption, they must be in a great degree lost. Like the fertility of land, the invention of good machinery confers a prodigious power of production. But neither of these great powers

can be called fully into action, if the situation and circumstances, or the habits and tastes of the society prevent the opening of a sufficient market, and an adequate increase of consumption.

The three great causes most favourable to production are, accumulation of capital, fertility of soil, and inventions to save labour. They all act in the same direction; and as they all tend to facilitate supply, without reference to demand, it is not probable that they should either separately or conjointly afford an adequate stimulus to the continued increase of wealth, which can only be kept up by a continued increase of the demand for commodities.

SECTION VI.

Of the Necessity of a Union of the Powers of Production with the Means of Distribution, in order to ensure a continued Increase of Wealth.

We have seen that the powers of production, to whatever extent they may exist, are not alone sufficient to secure the creation of a proportionate degree of wealth. Something else seems to be necessary in order to call these powers fully into action; and this is, such a distribution of produce, and such an adaptation of this produce to the wants of those who are to consume it, as constantly to increase the exchangeable value of the whole mass.

In individual cases, the power of producing particular commodities is called into action, in proportion to the effective demand for them; and the greatest stimulus to their production is a high market price, or an increase of their exchangeable value, before more capital and labour have been employed upon them.

In the same manner, the greatest stimulus to the continued production of commodities, taken all together, is an increase in the exchangeable value of the whole mass, before more labour and capital have been employed upon them. And this increase of value is effected by such a distribution of the actual produce as is best adapted to gratify the existing wants of society, and to inspire new ones.

It has been stated in a preceding section, that if all the roads and canals of the country were broken up, and the means of distributing its produce were essentially impeded, the whole value of the produce would greatly fall; indeed, it is obvious that if it were so distributed as not to be suited to the wants, tastes, and powers of the actual population in different situations, its value might sink to such a degree as to be comparatively quite inconsiderable. Upon the same principle, if the means of distributing the produce of the country were still further facilitated, and if the adaptation of it to the wants, tastes and powers of the consumers were more complete than at present, there can be no doubt that a great increase in the value of the whole produce would follow.

But to illustrate the power of distribution in increasing the mass of exchangeable value, we need only refer to experience. Before the introduction of good roads and canals in England, the prices of produce in many country districts were extremely low compared with the same kind of produce in the London markets. After the means of distribution were facilitated, the price of country produce, and of some sorts of London produce which were sent into the country in exchange for it, rose; and rose in a greater degree than the country produce fell in the London markets, or the London produce fell in the country markets; and consequently the value of the whole produce, or the supplies of London and the country together, was greatly increased; and while encouragement was thus given to the employment of a greater quantity of capital by the extension of demand, the temporary rise of profits, occasioned by this extension, would greatly contribute to furnish the additional capital required.

It will be asked, perhaps, how an increase in the exchangeable value of the whole produce of a country is to be estimated? It has before been stated that real value in exchange, from its very nature, admits of no accurate and standard measure; and consequently, in the present case, no measure can be mentioned which is perfectly satisfactory. Yet even bullion, our most common measure of value, might, in general, and for short periods, be referred to; and though abstractedly considered, wealth is nearly independent of money; yet in the actual state of the relations of the dif-

ferent countries of the world with each other, it rarely happens that any great increase or decrease in the bullion value of all the commodities of a country takes place, without an increase or decrease of demand for commodities, compared with the supply of them.

It happens however, undoubtedly, sometimes, that the value of bullion alters, not only generally, but in particular countries; and it is not meant to be said that a country cannot possibly be stimulated to an increase of wealth after a fall has taken place in the money-price of all its commodities. As the best approximation to a measure of real value in exchange, in application to the commodities of different countries and different times, I before proposed a mean between corn and labour;* and to this measure I should be disposed always to refer, when any commodities are to be estimated, with the exception of corn and labour themselves. But as, in speaking of national wealth, it is necessary to include the exchangeable value of food; and as food cannot well be the measure of food, I shall refer generally to the labour, domestic and foreign, which the bullion-price of the produce will command, or the sacrifices which people are willing and able to make of their own or other persons exertions in order to obtain it, as the best practical measure of value that can be applied; and though undoubtedly not accurate, yet sufficiently so for the present purpose.

* Chap. ii. sect. vii.

General wealth, like particular portions of it, will always follow effective demand. Whenever there is a great demand for commodities, that is, whenever the exchangeable value of the whole mass will command more labour than usual at the same price, there is the same kind of reason for expecting a general increase of commodities, as there is for expecting an increase of particular commodities when their market-prices rise. And on the other hand, whenever the produce of a country estimated in the labour which it will command falls in value, it is evident that with it the power and will to purchase the same quantity of labour must be diminished, and the effective demand for an increase of produce must, for a time, be checked.

Mr. Ricardo, in his chapter on Value and Riches, has stated that "a certain quantity of clothes and provisions will maintain and employ the same number of men, and will therefore procure the same quantity of work to be done, whether they be produced by the labour of a hundred or of two hundred men; but they will be of twice the value, if two hundred have been employed in their production."* But, even taking his own peculiar estimate of value, this statement would very rarely indeed be true. The clothes and provisions which had cost only one hundred days' labour would never, but in the most unnatural state of things, be able to procure the same quantity of work to

* Princ. of Polit. Econ. ch. xx. p. 349.

be done as if they had cost two hundred days' labour. To suppose it, is to suppose that the price of labour, estimated in necessaries, is the same at all times and in all countries, and does not depend upon the plenty or scarcity of necessaries compared with labour, a supposition contradicted by universal experience. Nine quarters of wheat will perhaps command a year's labour in England; but sixteen quarters will hardly procure the same quantity of work to be done in America. And in the case either of a sudden increase of productive labour, by a rapid conversion of revenue into capital, or a sudden increase of the productiveness of the same quantity of labour, there is not the slightest doubt that a given portion of necessaries would be quite unable to set in motion the same quantity of labour; and, if the exchangeable value of the produce should fall in a greater ratio than its quantity increases, (which may very easily happen,) then the same quantity of labour would not be set in motion by the increased quantity of necessaries, and the progress of wealth would receive a decided check.

Such a check would still more obviously be the consequence of a diminished demand for produce, owing to the decline of foreign commerce, or any other cause. Under these circumstances, both the quantity and value of produce would soon be diminished; and though labour, from the want of demand, would be very cheap, the capitalists would soon lose both the will and the power to employ it in the same quantity as before.

In every case, a continued increase in the value of produce estimated in labour seems to be absolutely necessary to a continued and unchecked increase of wealth; because without such an increase of value it is obvious that no fresh labour can be set in motion. And in order to support this value it is necessary that an effective distribution of the produce should take place, and a due proportion be maintained between the objects to be consumed and the number, wants, and powers of the consumers, or, in other words, between the supply of commodities and the demand for them.

It has already been shewn that this value cannot be maintained in the case of a rapid accumulation of capital occasioned by an actual and continued diminution in the expenditure and consumption of the higher classes of society.* Yet it will be most readily allowed that the saving from revenue to add to capital is an absolutely necessary step in the progress of wealth. How then is this saving to take place without producing the diminution of value apprehended?

It may take place, and practically almost always does take place, in consequence of a previous increase of value, or of revenue, in which case a saving may be effected, not only without any diminution of demand and consumption, but under an actual increase of demand, consumption and value during every part of the process. And it is in fact this previous increase of value and revenue

* Sect. III. of this chapter.

which both gives the great stimulus to accumulation, and makes that accumulation effective in the continued production of wealth.

M. Sismondi, in his late work, speaking of the limits of accumulation, observes, "On ne fait jamais après tout qu'échanger la totalité de la production de l'année contre la totalité de la production de l'année précédente."* If this were really the case, it would be difficult to say how the value of the national produce could ever be increased. But in

* Nouveaux Principes d'Economie Politique, tom. i. p. 120. I quite agree with M. Sismondi in many of his principles respecting consumption and demand; but I do not think that the view which he takes of the formation of national revenue, on which all increase of consumption and demand depends, is just; and I can by no means go with him in the fears which he expresses about machinery, and still less in the opinion which he holds respecting the necessity of a frequent interference on the part of government to protect individuals, and classes, from the consequences of competition. With regard to population, he has misunderstood my work more than I could have expected from so able and distinguished a writer. He says, that my reasoning is completely sophistical, because I have compared the *virtual* increase of population with the *positive* increase of food. But surely I have compared the *virtual* increase of population with the *virtual* increase of food; and the *positive* increase of population with the *positive* increase of food; and the greater part of my book is taken up with the latter comparison. Practically M. Sismondi goes much farther than I do in his apprehensions of a redundant population, and proposes to repress it by all sorts of strange means. I never have recommended, nor ever shall, any other means than those of explaining to the labouring classes the manner in which their interests are affected, by too great an increase of their numbers, and of removing or weakening the positive laws which tend to discourage habits of prudence and foresight.

fact a great increase of productions may immediately find an adequate market, and experience consequently a great increase of exchangeable value, if they are so well distributed and so well adapted to the tastes and wants of the society as to excite the desire of making an adequate sacrifice in order to procure and consume them. All increase of commodities shews itself first in increased revenue; and as long as they increase in value as well as in quantity by being properly distributed and the consumption properly proportioned to the supply, it is obvious that a yearly saving may take place consistently with a yearly increase of revenue and a yearly increase of expenditure and demand.

The fortune of a country, though necessarily made more slowly, is made in the same way as the fortunes of individuals in trade are generally made, —by *savings*, certainly; but by savings which are furnished from increased gains, and by no means involve a diminished expenditure on objects of luxury and enjoyment.

Many a merchant has made a large fortune although, during the acquisition of this fortune, there was perhaps hardly a single year in which he did not rather increase than diminish his expenditure in objects of luxury, enjoyment, and liberality. The amount of capital in this country is immense, and it certainly received very great additions during the last twenty-five years; but on looking back, few traces are to be found of a diminished expenditure in the maintenance of

unproductive labour. If some such traces however are to be found, they will be found in exact conformity to the theory here laid down; they will be found during a period, when, from particular circumstances, the value of the national produce was not maintained, and there was in consequence a great diminution of the power of expenditure, and a great check to the production of wealth.

Perhaps it will be said, that to lay so much stress on distribution, and to measure demand by the exchangeable value of the whole produce, is to exalt the gross revenue at the expense of the neat revenue of a country, and to favour that system of cultivation and manufacturing which employs on each object the greatest number of hands. But I have already shewn that the saving of labour, and the increase of skill, both in agriculture and manufacturing industry, by enabling a country to push its cultivation over poorer lands, without diminution of profits, and to extend far and wide the markets for its manufactures, must tend to increase the exchangeable value of the whole; and there cannot be a doubt that in this country they must have been the main sources of that rapid and astonishing increase in the value of the national wealth, which has taken place during the last thirty or forty years.

To dwell therefore mainly on the gross revenue of a country rather than on its neat revenue is in no respect to under-rate the prodigious advantage derived from skill and machinery, but merely to give that importance to the value of the whole produce

to which it is so justly entitled. No description of national wealth, which refers only to neat revenue, can ever be in any degree satisfactory. The Economists destroyed the practical utility of their works by referring exclusively to the neat produce of the land. And the writers who make wealth consist of rents and profits, to the exclusion of wages, commit an error exactly of the same kind though less in degree. Those who live upon the wages of labour, unproductive as well as productive, receive and expend much the greatest part of the annual produce, pay a very considerable sum in taxes for the maintenance of the government, and form by far the largest portion of its physical force. Under the prevalence of habits of prudence, the whole of this vast mass might be nearly as happy as the individuals of the other two classes, and probably a greater number of them, though not a greater proportion of them, happier. In every point of view therefore, both in reference to the part of the annual produce which falls to their share, and the means of health and happiness which it may be presumed to communicate, those who live on the wages of labour must be considered as the most important portion of the society; and any definition of wealth which should involve such a diminution of their numbers, as to require for the supply of the whole population a smaller annual produce, must necessarily be erroneous.

In the First Chapter of this Work, having defined wealth to be "the material objects which are ne-

cessary, useful, and agreeable to mankind," I stated as a consequence that a country was rich or poor according to the abundance or scantiness in which these objects were supplied, compared with the extent of territory. It will be readily allowed that this definition does not include the question of what may be called the amount of disposable produce, or the fund for taxation; but still I must consider it as a much more correct definition of the wealth of a country than any that should refer to this disposable part alone. What should we say of the wealth of this country, if it were possible that its rents and profits could remain the same, while its population and produce were reduced two-thirds? Certainly it would be much poorer according to the above definition; and there are not many that would dissent from such a conclusion.

That it would be desirable, in a definition of national wealth, to include the consideration of disposable produce, as well as of actual quantity and value, cannot be doubted; but such a definition seems to be in its nature impossible, because in each individual case it must depend upon opinion, what increase of disposable produce should be accounted equivalent to a given diminution of gross produce.

We must content ourselves therefore with referring generally to the amount and value of national produce; and it may be subsequently stated as a separate, though very important consideration, that particular countries, with the same amount and

value of produce, have a larger or smaller proportion of that produce disposable. In this respect, no doubt, a country with a fertile territory will have a prodigious advantage over those whose wealth depends almost entirely on manufactures. With the same population, the same rate of profits, and the same amount and value of produce, the landed nation would have much the largest portion of its wealth disposable.

Fortunately, it happens but seldom that we have to determine the amount of advantage or disadvantage occasioned by the increase of the neat, at the expense of the gross revenue. The interest of individual capitalists uniformly prompts them to the saving of labour, in whatever business they are engaged; and both theory and experience combine to shew that their successful efforts in this direction, by increasing the powers of production, afford the means of increasing, in the greatest practicable degree, the amount and value of the gross produce,* provided always that such a dis-

* From what has been here said, the reader will see that I can by no means agree with Mr. Ricardo, in his chapter *On Gross and Net Revenue*. I should not hesitate a moment in saying, that a country with a neat revenue from rents and profits, consisting of food and clothing for five millions of men, would be decidedly richer and more powerful, if such neat revenue were obtained from seven millions of men, rather than five, supposing them to be equally well supported. The whole produce would be greater; and the additional two millions of labourers would some of them unquestionably have a part of their wages disposable. But I would further ask what is to become of the capital as well as the people in the case of such a change? It is obvious that a con-

tribution and consumption of the increased supply of commodities takes place as constantly to increase their exchangeable value.

In general, an increase of produce and an increase of value go on together; and this is that natural and healthy state of things, which is most favourable to the progress of wealth. An increase in the quantity of produce depends chiefly upon the power of production, and an increase in the value of produce upon its distribution. Production and distribution are the two grand elements of wealth, which, combined in their due proportions, are capable of carrying the riches and population of the earth in no great length of time to the utmost limits of its possible resources; but which taken separately, or combined in undue proportions, produce only, after the lapse of many thousand years, the scanty riches and scanty population, which are at present scattered over the face of the globe.

siderable portion of it must become redundant and useless. I quite agree with Mr. Ricardo, however, in approving all saving of labour and inventions in machinery; but it is because I think that their tendency is to increase the gross produce and to make room for a larger population and a larger capital. If the saving of labour were to be accompanied by the effects stated in Mr. Ricardo's instance, I should agree with M. Sismondi and Mr. Owen in deprecating it as a great misfortune.

SECTION VII.

Of the Distribution occasioned by the Division of landed Property considered as the Means of increasing the exchangeable Value of the whole Produce.

The causes most favourable to that increase of value which depends upon distribution are, 1st, the division of landed property; 2dly, internal and external commerce; 3dly, the maintenance of unproductive consumers.

In the first settlement and colonization of new countries, an easy division and subdivision of the land is a point of the very highest importance. Without a facility of obtaining land in small portions by those who have accumulated small capitals, and of settling new proprietors upon the soil, as new families branch off from the parent stocks, no adequate effect can be given to the principle of population. This facility of settling the rising population upon the soil is still more imperiously necessary in inland countries, which are not favourably situated for external and internal commerce. Countries of this description, if, from the laws and customs relating to landed property, great difficulties are thrown in the way of its distribution, may remain for ages very scantily peopled, in spite of the principle of population; while the easy division and subdivision of the land as